

STATEMENT
OF
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Chairman, ITAA Intelligence
Committee
BEFORE THE
HOUSE COMMITTEE ON GOVERNMENT REFORM
CONCERNING THE
Suspension of Accepting Industry Request for Security
Clearances

May 17, 2006

Mr. Chairman and Members of the Committee. Thank you for inviting ITAA and its' industry partners to testify today on the continued challenges industry faces in obtaining federal security clearances. My name is Doug Wagoner, and I serve as Chairman of the ITAA Intelligence Committee. I also bring the perspective of a small business IT executive from Fairfax struggling with this issue each day.

I have included more detail on our proposed solutions to this problem in a detailed white paper I would also like to submit for the record.

Mr. Chairman, I was before you and the Committee almost exactly two years ago to discuss this problem. DSS leadership testified that day that as a result of changes then underway at DSS and OPM, 95% of Top Secret clearances by FY 2005 would be completed in 120 days, with no case taking over one year. Since then, with the leadership of your Committee, we thought we had made strides to significantly change the security clearance process. Here we are two years later, and DSS is nowhere near fulfilling the promises made to this Committee.

In light of these past promises and attempted reforms, industry is greatly alarmed by the April 26 action to suspend acceptance of contractor requests for security clearances. We appreciate this Committee's quick action to hold this hearing, and look forward to Congress' support in solving this problem in both the near and the long term.

DSS may decide to suspend its activity, but our enemies are not suspending theirs. Nor are others in the defense and intelligence community suspending their vigilance to defeat those enemies, and the demand for support from private industry is greater than ever. Increasingly, defense and intelligence agencies are turning to the private sector for the products and services they need to do their jobs. We cannot provide that support without access to classified facilities and information; in other words, we cannot provide that support without security clearances.

There is much to tell about the industry impact of DSS' decision, but none may be as important as the possibility that National Security missions may not be accomplished unless this issue is addressed. This problem is also keeping qualified people from working; is causing salary premiums as high as 25 percent for

current clearance holders—premiums that raise the costs to industry, to government and ultimately the tax payers; and is leaving companies unable to meet contract requirements. Industry has three requests it would like to detail today which are:

1. Immediate funding to reinstate acceptance and processing of all contractor security clearances and periodic reinvestigations;

2. An investigation and audit into how DSS and OPM could have created such a drastic shortfall so early in the fiscal year and how that short fall lead to absolute suspension of processing contractor clearances;

3. And a legislated overhaul of the security clearance process, programs and related bureaucracy with the immediate infusion of technology.

We must require DOD to reinstate the processing of all contractor clearances immediately. If full funding cannot be found, Industry can work with DSS to prioritize cases for the rest of this fiscal year given full funding is made for FY07.

It has been suggested that industry should be pay for their clearances, which cost about \$3700 for a Top Secret. Industry rejects this suggestion for several reasons. It would create *“have and*

have-nots” between large and small firms. Additionally, the cost would be forwarded to the Government along with other overhead charges, just as with any other allowable cost. This means the increased cost would have to come out of Congressionally approved program mission funds. Lastly, and probably the most profound reason, is that industry is not in business to support failed processes in Government.

It appears the decision to stop accepting contractor clearance requests was made in a vacuum and the funding shortfall came as a complete surprise to DoD management. We know of no oversight body (including this one) that was alerted. We heard that \$145M was budgeted and burned in 7 months, and today they have announced that they will need an additional \$91M for the balance of FY06. Could DSS not detect that something was going wrong a month ago; even 3 months ago and sound the alarm? Or did OPM deliver a surprise bill to DSS? Industry believes there are accounting issues between OPM and DSS in how cases are charged and there may even be double billing caused by how OPM rejects incomplete files. It is for these reasons that a complete audit and investigation is needed to account

for this monumental shortfall, and how it came as a surprise to almost everyone.

For the long term our nation needs a complete overhaul of the security clearance bureaucracy. This overhaul must include an immediate fusion of technology in data collection and analysis. While OPM struggles to find enough investigators, armed with only pen and paper, to collect data, much of this data can be found and verified through commercial databases. These sources can provide the ability to verify identity, credit history and other transactional information with high probability. Our nation's financial and insurance industries take billion's of dollars of informed risk each year based upon the reliability of the same data.

In closing Mr. Chairman, industry is very concerned by the arbitrary decision to no longer accept our requests for clearances. These requests are generated by mission need. We stand side by side with our government partners to keep this nation safe and are truly worried about the impact of this decision on the many missions we support. Mr. Chairman, you may recall that two years ago, you held up a 1982 GAO report on security clearance problems and commented that since that time you raised your son, put him through

college AND law school all while little had been done to shorten clearance timeframes. Let's not wait for our grandchildren to complete law school before we embark on a total overhaul of the programs, processes and bureaucracies related to security clearances. Thank you and I look forward to your questions.